

# **Exhibit F**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

-----

VANGUARD IDENTIFICATION	:	CIVIL ACTION NO. 02-2943
SYSTEMS, INC.	:	
	:	
v.	:	Philadelphia, Pennsylvania
	:	September 24, 2004
RONNIE E. GOADE, SR.,	:	10:04 o'clock a.m.
Individually and as Trustee	:	
for the Ronnie E. Goade, Sr.	:	
Revocable Trust, et al	:	
.....	:	

JURY TRIAL  
BEFORE THE HONORABLE JOHN P. FULLAM  
UNITED STATES DISTRICT COURT JUDGE

-----

APPEARANCES:

For the Plaintiffs: GEORGE BOCHETTO, ESQUIRE  
Bochetto & Lentz, PC  
1524 Locust Street  
Philadelphia, PA 19102

For the Defendants: MARC L. ZAKEN, ESQUIRE  
Edwards & Angell, LLP  
Three Stanford Plaza, Suite 1310  
Stanford, CT 06901

-----

Audio Operator: John Stasny

Transcribed by: Paula Curran, CET  
Tracey Williams, CET  
Grace Williams, CET

(Proceedings recorded by For The Record Gold digital sound  
recording; transcript provided by AAERT-certified  
transcribers.)

CERTIFICATION

I hereby certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

Geraldine C. Laws

10/20/04

Geraldine C. Laws, CET  
Laws Transcription Service

Date

1 (The following occurred in open court at 10:04  
2 o'clock a.m.)

3 THE CLERK: All rise.

4 THE COURT: Good morning.

5 ALL: Good morning.

6 THE COURT: Be seated. Proceed.

7 RONALD GOADE, Defendants' Witness, Previously Sworn.

8 DIRECT EXAMINATION

9 BY MR. ZAKEN:

10 Q Mr. Goade, I'd just like to put you in the time period  
11 when you were working for DocuSystems. In that time period,  
12 did DocuSystems manufacture any products under the SSI label  
13 out of the plant that DocuSystems had in Nashville?

14 A Yes, they did.

15 Q Okay, could you explain to the jury what DocuSystems had  
16 done with respect to manufacturing SSI product in the  
17 Nashville plant?

18 A They had rotary presses there, which means that they were  
19 able to run them faster and better, unfortunately. As I may  
20 have explained earlier, running rotary presses doesn't truly  
21 give you the same quality that you would get from the  
22 Heilendberg (ph) press that we used.

23 THE COURT: Please get close to the microphone.

24 THE WITNESS: I'm sorry, your Honor. I tried to  
25 test this. So, the Heilendberg press that we used was a

Goade - Direct

3

1 sheet bed operation and it gave us about a good a quality as  
2 you could expect. And that was one substantial difference.

3 Q All right. And in the Nashville plant, were products for  
4 customers of SSI or Stick Strip being made out of the  
5 Nashville plant?

6 A Substantial amount, yes.

7 Q Okay. And what customers was DocuSystems selling product  
8 to under the SSI label, out of the Nashville plant?

9 A They were selling all types of cards, primarily phone  
10 cards. A lot of those. What would be considered, I think,  
11 low-end type plastic cards, transaction cards of some type. A  
12 lot of cards for Las Vegas casinos, things of that nature.

13 Q Okay. And do you have a sense of the volume of business  
14 that was being conducted by DocuSystems through -- on behalf  
15 of the Stick Strip Laminating Company out of the Nashville  
16 plant?

17 A It was a substantial amount. I can tell you that it was,  
18 I don't know, eight to ten million dollars perhaps.

19 Q All right.

20 A It was a lot.

21 Q Now, had these products, when you owned Stick Strip  
22 Laminating Company, before you sold the company to  
23 DocuSystems, were you making these products out of the plant  
24 in Oklahoma?

25 A Yes, we were.

Goade - Direct

4

1 Q And were you selling to these customers out of the plant  
2 in Oklahoma?

3 A Well, we were selling to similar customers. I mean, the  
4 customer base is not someone who just buys from you one time  
5 and stays with you forever. So, one customer may buy cards  
6 in a certain year and they may not buy again for three or  
7 four years.

8 Q Okay, so did DocuSystems move the production of the cards  
9 that you had made at Stick Strip, these types of cards that  
10 you're describing, had DocuSystems moved the production of  
11 those cards to it's plant in Nashville?

12 A The larger volumes, yes.

13 Q Meaning the --

14 A The large orders.

15 Q Okay.

16 A The substantial orders were all moved to DocuSystems in  
17 their plant in Nashville.

18 Q And was DocuSystems using equipment and I think you  
19 answered this already, but DocuSystems was using equipment  
20 different in Nashville than you used in Oklahoma?

21 A Yes.

22 THE COURT: While you're on that subject, did you  
23 have anything to do with supervising the work that was going  
24 on in Nashville or did you stay only in Oklahoma.

25 THE WITNESS: I attempted to, they actually invited

Goade - Direct

5

1 me there one time, your Honor and asked if I would be able to  
2 give some assistance in some problems they were having with a  
3 specific job.

4 THE COURT: Did you go there much?

5 THE WITNESS: I went there maybe twice during that  
6 period of time, that's all.

7 Q All right. And the Nashville plant, I think you said  
8 yesterday was where the DocuSystems had decided to use the T2  
9 product?

10 A Well, they were using T2 in both facilities. In the  
11 Oklahoma facility, as well as in Nashville.

12 Q All right. And the T2, again, was?

13 A It was an inexpensive substrate that was produced in  
14 Korea, that they intended to use to replace Taslan.

15 Q Now, had you used T2 when you owned Stick Strip  
16 Laminating Company?

17 A No. Never heard of it.

18 Q When you purchased -- withdrawn -- at the time you left  
19 DocuSystems, what sub-strait was DocuSystems using on its  
20 cards produced in the plant in Oklahoma?

21 A Well, they are still attempting to use T2. When they got  
22 into problems, they would switch back over to Taslan. So, it  
23 was really a mixture at that time. They were having complete  
24 failure with the T2 materials.

25 Q And I think you may have covered this already, but

Goade - Direct

6

1 briefly, with respect to your involvement in the manufacture  
2 of product in Oklahoma, after you sold the company to  
3 DocuSystems, what involvement did you have with that?

4 A I had none. In the actual manufacturing product after I  
5 sold the company?

6 Q Right.

7 A No, I was not involved.

8 Q Were you involved in that before you sold the company?

9 A Yes, on a day to day basis almost.

10 Q Okay. So, what I'd like to do now is turn your attention  
11 to the time period when you bought the assets of Stick Strip  
12 Laminating Company in July of 2000. Now, at that time, did  
13 you buy any of the assets that were at the Nashville plant in  
14 Tennessee that had been used as you just described to  
15 manufacture SSI product in Nashville?

16 A Yes, I did. Some of the assets that had actually  
17 belonged to SSI when I had bought the company, had been  
18 transferred to Nashville. And it was there in their facility  
19 when I bought the company.

20 Q Okay, was there equipment in Nashville that was used to  
21 product Stick Strip product out of the Nashville plant that  
22 you did not buy when you bought the assets of Stick Strip?

23 A I'm sorry, I don't understand the question.

24 Q I'll try it again.

25 A Excuse me.



Goade - Direct

7

1 THE COURT: Was there any equipment in Nashville  
2 that was used to manufacture your product that you did not  
3 buy when you bought the assets?

4 Q These rotary presses --

5 A I did not buy those.

6 Q Well, that's what I'm asking.

7 A Yeah, I'm sorry.

8 Q Okay. So, you -- just to be clear on this -- you  
9 mentioned that in the Nashville plant, DocuSystems was using  
10 rotary presses to manufacture these large volume card orders  
11 that were being sold under the Stick Strip label, right?

12 A That's correct.

13 Q All right. Did you buy any of those rotary presses?

14 A I did not.

15 Q Okay. So, when you bought the assets of Stick Strip  
16 Laminating Company, there were some things you said that were  
17 in -- that had been in Oklahoma, that got transferred to  
18 Nashville, that got transferred back to Oklahoma when you  
19 bought the assets?

20 A They didn't get transferred back. They were sent to  
21 Nashville and then when we tried to recover them, they were  
22 not there.

23 Q Okay, so you're going to have to explain that because you  
24 lost me.

25 A I'm sorry. Well, when we bought the assets back, I had a

Goade - Direct

8

1 substantial amount of -- when I sold the company, we had a  
2 substantial amount of equipment that was used for  
3 manufacturing. During the period of time that DocuSystems  
4 owned Stick Strip, they transferred some manufacturing  
5 material to Nashville. When I bought the assets of the  
6 company and came back in, I tried to recover that, but it was  
7 not available.

8 Q Okay.

9 A So, there was things missing there that I had owned  
10 previously.

11 Q Okay. And what were the things that were missing?

12 A There was magnetic striping coding equipment and there  
13 was punch press equipment. There was a lot of R&D things.  
14 Just general things used for the manufacturing business.

15 Q And R&D means?

16 A Research and Development.

17 Q All right. Now, when you bought the assets of Stick  
18 Strip and you came back to the plant in Oklahoma, on your  
19 first day or days there, were there things there that you  
20 expected to be there, that you had purchased, that weren't?

21 A Yes.

22 Q What?

23 A Well, there was a substantial amount of computers and  
24 software missing that had been there just days before,  
25 according to all of the employees. And that was all missing.

Goade - Direct

10

1 didn't really spell out the individual pieces and what they  
2 did. So, we were forced to go back in and rewrite some of  
3 the software.

4 Q Okay, so now, with respect to you mentioned there was  
5 product that was being sold under the Stick Strip label out  
6 of the Nashville plant?

7 A Yes.

8 Q With respect to the customers who had made orders for  
9 those products, at the time that you bought the assets of  
10 Stick Strip, what happened to those orders?

11 A Well, I thought that they would stay with Stick Strip or  
12 I thought they would stay with the new company. But they  
13 were not. When they sold the DocuSystems plant, they sold it  
14 to a company called Magnetic Tape and Label in Dallas. And  
15 he took all that business.

16 Q Okay, just want to be clear on what the business is  
17 you're talking about.

18 A The business, he felt like any product that was produced  
19 in Nashville, that he was entitled to retain that customer.

20 Q Okay, so are you saying then that the customers that were  
21 buying Stick Strip product out of Nashville, went with this  
22 Texas company?

23 A That's what I'm saying, yes.

24 Q You thought they should go with you?

25 A Yes, I did.

Goade - Direct

11

1 Q And who did you have that discussion with?

2 A I called Hugh Wilder and made this complaint. I said,  
3 you know, there's a lot of business that I thought we would  
4 retain because we had owned that business previously. And he  
5 said, well, Magnetic Tape and Label has purchased  
6 DocuSystems. It was being ran there. There was nothing I  
7 could do, so I really didn't have any place to go to argue  
8 the point.

9 Q And is that the eight to ten million dollars worth of  
10 business that you were talking about?

11 A That was a substantial amount. I can't tell you what the  
12 amount was, but it was substantial.

13 Q And Hugh Wilder, again, was who?

14 A He was the, at that time, a vice president, executive  
15 vice president -- if I'm correct -- with Heller.

16 Q And Heller was the one, the bank that was selling you  
17 back the assets?

18 A That's correct.

19 Q Hugh Wilder is the guy whose videotape we watched  
20 yesterday?

21 A That is correct.

22 Q All right. So, when you came back into the plant, I  
23 think you started to describe it, at the close yesterday, you  
24 started to describe the disrepair of the plant. Can you tell  
25 us about that again?

Goade - Direct

12

1 A Well, they had not had the money or the desire, I don't  
2 know which one. So, to repair some of the equipment, they  
3 would take identical pieces of equipment and they would rob  
4 parts off of one and put it in the other. So, in a sense,  
5 they were taking two pieces of equipment and trying to make  
6 on that was operational out of it. Hardly any of the  
7 equipment had been maintained. And this type of equipment is  
8 -- it's pretty scientific in some ways, such as magnetic  
9 striping and coding, so if you don't keep it tuned perfectly,  
10 it can go sideways, if you will, in a hurry. Same thing on  
11 applying labels and things of that nature. The things that  
12 we were doing a lot of at that time. The equipment was in  
13 disarray. Had not been repaired. Had not been maintained  
14 and it was causing a lot of problems.

15 Q So, now you mentioned about the computers and the  
16 disrepair and these other problems, the work that had been  
17 done out of Nashville that didn't go with your acquisition.  
18 What did you do? What steps did you take to get your new  
19 company, SSI Technologies up and running?

20 A Well, the first thing we did, obviously, is come in and  
21 we looked at everything and tried to make an analysis of what  
22 we saw and what is it going to take to get us back in  
23 business. Because it was obvious, at that point, it would  
24 have been very difficult for us to build a quality product  
25 based on what we had actually purchased in the asset

Goade - Direct

13

1 purchase.

2 Q So, we started spending a lot of money in buying new  
3 equipment and developing new types of equipment to get back  
4 in there to be able to produce the same type of materials.

5 Q Okay. And what did you do, did you buy an T2 in this  
6 acquisition?

7 A No, no.

8 Q So, what did you use for material when you started?

9 A Well, we used Taslan. We had a problem in getting the  
10 Taslan, obviously, but there was some Taslan there. But we  
11 used what we had.

12 Q All right. Now, with respect to -- and what was the  
13 volume of the business, the orders that you were able to  
14 produce in the early days of your starting SSI Technologies?

15 A Well, we actually started out, there was some ongoing  
16 business that was in there and we actually started out fairly  
17 well. We were trying to produce the business, but the  
18 numbers were dropping off in a hurry, of course, and frankly,  
19 our competitors were really -- they were really -- I don't  
20 know if you'd say slandering or not, but they were coming  
21 after us pretty hard. Telling them that we were a bankrupt  
22 company and so on and so forth. And they had had so many  
23 problems in the past, so it was difficult to maintain the  
24 business. Plus, we didn't have any sales people left.

25 Q And so you had to hire sales people?

Goade - Direct

8

1 substantial amount of -- when I sold the company, we had a  
2 substantial amount of equipment that was used for  
3 manufacturing. During the period of time that DocuSystems  
4 owned Stick Strip, they transferred some manufacturing  
5 material to Nashville. When I bought the assets of the  
6 company and came back in, I tried to recover that, but it was  
7 not available.

8 Q Okay.

9 A So, there was things missing there that I had owned  
10 previously.

11 Q Okay. And what were the things that were missing?

12 A There was magnetic striping coding equipment and there  
13 was punch press equipment. There was a lot of R&D things.  
14 Just general things used for the manufacturing business.

15 Q And R&D means?

16 A Research and Development.

17 Q All right. Now, when you bought the assets of Stick  
18 Strip and you came back to the plant in Oklahoma, on your  
19 first day or days there, were there things there that you  
20 expected to be there, that you had purchased, that weren't?

21 A Yes.

22 Q What?

23 A Well, there was a substantial amount of computers and  
24 software missing that had been there just days before,  
25 according to all of the employees. And that was all missing.

Goade - Direct

9

1 A lot of computers. Maybe as many as 30. A substantial  
2 amount of software that had been taken. There was also  
3 equipment that was gone. There was a lot of things during  
4 this transaction period that ended up missing.

5 Q Okay. And did you have to replace those things?

6 A Yes, we did.

7 Q Did you replace them?

8 A Yes, we did.

9 Q What types of things did you buy?]

10 A Well, we bought new computers and we bought the things  
11 that we needed on a day to day basis of actually operating  
12 the company.

13 THE COURT: When you bought the assets back, was  
14 there a list of exactly what assets you were buying or was it  
15 just --

16 THE WITNESS: No, there was a list, your Honor.

17 THE COURT: You got everything that was on the list?

18 THE WITNESS: I did not.

19 THE COURT: You did not?

20 THE WITNESS: No, sir.

21 THE COURT: Thank you.

22 Q What was on the list that you didn't get?

23 A We didn't get a large Prico (ph) press that was valued at  
24 over \$100,000. We didn't get the computers that I spoke to  
25 before. And the software was just listed as software, but it



Goade - Direct

10

1 didn't really spell out the individual pieces and what they  
2 did. So, we were forced to go back in and rewrite some of  
3 the software.

4 Q Okay, so now, with respect to you mentioned there was  
5 product that was being sold under the Stick Strip label out  
6 of the Nashville plant?

7 A Yes.

8 Q With respect to the customers who had made orders for  
9 those products, at the time that you bought the assets of  
10 Stick Strip, what happened to those orders?

11 A Well, I thought that they would stay with Stick Strip or  
12 I thought they would stay with the new company. But they  
13 were not. When they sold the DocuSystems plant, they sold it  
14 to a company called Magnetic Tape and Label in Dallas. And  
15 he took all that business.

16 Q Okay, just want to be clear on what the business is  
17 you're talking about.

18 A The business, he felt like any product that was produced  
19 in Nashville, that he was entitled to retain that customer.

20 Q Okay, so are you saying then that the customers that were  
21 buying Stick Strip product out of Nashville, went with this  
22 Texas company?

23 A That's what I'm saying, yes.

24 Q You thought they should go with you?

25 A Yes, I did.

Goade - Direct

11

1 Q And who did you have that discussion with?

2 A I called Hugh Wilder and made this complaint. I said,  
3 you know, there's a lot of business that I thought we would  
4 retain because we had owned that business previously. And he  
5 said, well, Magnetic Tape and Label has purchased  
6 DocuSystems. It was being ran there. There was nothing I  
7 could do, so I really didn't have any place to go to argue  
8 the point.

9 Q And is that the eight to ten million dollars worth of  
10 business that you were talking about?

11 A That was a substantial amount. I can't tell you what the  
12 amount was, but it was substantial.

13 Q And Hugh Wilder, again, was who?

14 A He was the, at that time, a vice president, executive  
15 vice president -- if I'm correct -- with Heller.

16 Q And Heller was the one, the bank that was selling you  
17 back the assets?

18 A That's correct.

19 Q Hugh Wilder is the guy whose videotape we watched  
20 yesterday?

21 A That is correct.

22 Q All right. So, when you came back into the plant, I  
23 think you started to describe it, at the close yesterday, you  
24 started to describe the disrepair of the plant. Can you tell  
25 us about that again?

Goade - Direct

12

1 A Well, they had not had the money or the desire, I don't  
2 know which one. So, to repair some of the equipment, they  
3 would take identical pieces of equipment and they would rob  
4 parts off of one and put it in the other. So, in a sense,  
5 they were taking two pieces of equipment and trying to make  
6 on that was operational out of it. Hardly any of the  
7 equipment had been maintained. And this type of equipment is  
8 -- it's pretty scientific in some ways, such as magnetic  
9 striping and coding, so if you don't keep it tuned perfectly,  
10 it can go sideways, if you will, in a hurry. Same thing on  
11 applying labels and things of that nature. The things that  
12 we were doing a lot of at that time. The equipment was in  
13 disarray. Had not been repaired. Had not been maintained  
14 and it was causing a lot of problems.

15 Q So, now you mentioned about the computers and the  
16 disrepair and these other problems, the work that had been  
17 done out of Nashville that didn't go with your acquisition.  
18 What did you do? What steps did you take to get your new  
19 company, SSI Technologies up and running?

20 A Well, the first thing we did, obviously, is come in and  
21 we looked at everything and tried to make an analysis of what  
22 we saw and what is it going to take to get us back in  
23 business. Because it was obvious, at that point, it would  
24 have been very difficult for us to build a quality product  
25 based on what we had actually purchased in the asset

Goade - Direct

13

1 purchase.

2 Q So, we started spending a lot of money in buying new  
3 equipment and developing new types of equipment to get back  
4 in there to be able to produce the same type of materials.

5 Q Okay. And what did you do, did you buy an T2 in this  
6 acquisition?

7 A No, no.

8 Q So, what did you use for material when you started?

9 A Well, we used Taslan. We had a problem in getting the  
10 Taslan, obviously, but there was some Taslan there. But we  
11 used what we had.

12 Q All right. Now, with respect to -- and what was the  
13 volume of the business, the orders that you were able to  
14 produce in the early days of your starting SSI Technologies?

15 A Well, we actually started out, there was some ongoing  
16 business that was in there and we actually started out fairly  
17 well. We were trying to produce the business, but the  
18 numbers were dropping off in a hurry, of course, and frankly,  
19 our competitors were really -- they were really -- I don't  
20 know if you'd say slandering or not, but they were coming  
21 after us pretty hard. Telling them that we were a bankrupt  
22 company and so on and so forth. And they had had so many  
23 problems in the past, so it was difficult to maintain the  
24 business. Plus, we didn't have any sales people left.

25 Q And so you had to hire sales people?

Goade - Direct

12

1 A Well, they had not had the money or the desire, I don't  
2 know which one. So, to repair some of the equipment, they  
3 would take identical pieces of equipment and they would rob  
4 parts off of one and put it in the other. So, in a sense,  
5 they were taking two pieces of equipment and trying to make  
6 on that was operational out of it. Hardly any of the  
7 equipment had been maintained. And this type of equipment is  
8 -- it's pretty scientific in some ways, such as magnetic  
9 striping and coding, so if you don't keep it tuned perfectly,  
10 it can go sideways, if you will, in a hurry. Same thing on  
11 applying labels and things of that nature. The things that  
12 we were doing a lot of at that time. The equipment was in  
13 disarray. Had not been repaired. Had not been maintained  
14 and it was causing a lot of problems.

15 Q So, now you mentioned about the computers and the  
16 disrepair and these other problems, the work that had been  
17 done out of Nashville that didn't go with your acquisition.  
18 What did you do? What steps did you take to get your new  
19 company, SSI Technologies up and running?

20 A Well, the first thing we did, obviously, is come in and  
21 we looked at everything and tried to make an analysis of what  
22 we saw and what is it going to take to get us back in  
23 business. Because it was obvious, at that point, it would  
24 have been very difficult for us to build a quality product  
25 based on what we had actually purchased in the asset

Goade - Direct

13

1 purchase.

2 Q So, we started spending a lot of money in buying new  
3 equipment and developing new types of equipment to get back  
4 in there to be able to produce the same type of materials.

5 Q Okay. And what did you do, did you buy an T2 in this  
6 acquisition?

7 A No, no.

8 Q So, what did you use for material when you started?

9 A Well, we used Taslan. We had a problem in getting the  
10 Taslan, obviously, but there was some Taslan there. But we  
11 used what we had.

12 Q All right. Now, with respect to -- and what was the  
13 volume of the business, the orders that you were able to  
14 produce in the early days of your starting SSI Technologies?

15 A Well, we actually started out, there was some ongoing  
16 business that was in there and we actually started out fairly  
17 well. We were trying to produce the business, but the  
18 numbers were dropping off in a hurry, of course, and frankly,  
19 our competitors were really -- they were really -- I don't  
20 know if you'd say slandering or not, but they were coming  
21 after us pretty hard. Telling them that we were a bankrupt  
22 company and so on and so forth. And they had had so many  
23 problems in the past, so it was difficult to maintain the  
24 business. Plus, we didn't have any sales people left.

25 Q And so you had to hire sales people?

Goade - Direct

14

1 A We did, yes.

2 Q They were not among -- you didn't have sales people when  
3 you bought -- you kept the employees? Well, let's start  
4 there. Did you keep the employees who were working for Stick  
5 Strip when you bought the company?

6 A Yes, we did.

7 Q Bought the assets?

8 A All but one person.

9 Q And who was that?

10 A That was Jeff Bainter.

11 Q He was the guy who had been running the place for  
12 DocuSystems?

13 A That's correct.

14 Q And you let him go?

15 A Yes.

16 Q And then, did you have to ramp up with some new employees  
17 or different employees?

18 A Well, we had some problems with people, who has a  
19 different mindset, you know, the DocuSystem, their idea of  
20 quality was to ship it and if the customer doesn't like it,  
21 then that will be our QC department. So, we had to bring  
22 people back in. I know we brought in about four people,  
23 ex-employees, that had experience in actually quality  
24 control, which was the important thing to us at that point.

25 Q I think you had said that one of the first things

Goade - Direct

15

1 DocuSystems did when the bought the company from you was to  
2 let go of the quality control people?

3 A That's correct.

4 Q All right. Did you put a lot of money -- did you put  
5 money into the business, into SSI Technologies?

6 A Every dime I had.

7 Q All right, let me show you a chart.

8 MR. BOCHETTO: Your Honor, at this point, I'm going  
9 to object to the submission of these things. We did discuss  
10 it briefly in pre-trial.

11 THE COURT: Objection overruled.

12 BY MR. ZAKEN:

13 Q This is Defendant's Exhibit 66, your Honor. Mr. Goade,  
14 taking a look at Defendant's Exhibit 66, can you tell me what  
15 it is?

16 A It's a copy of all of the -- it says equity summary --  
17 what it means to me is all the money that we had borrowed on  
18 our homes and borrowed on the building and so on, to keep SSI  
19 running.

20 THE COURT: You mean, it's a list of what you claim  
21 you spent, is that right?

22 THE WITNESS: Yes, sir.

23 THE COURT: That's not the money. You said this was  
24 what you spent. It's a list of what you spent?

25 THE WITNESS: Yes.



Goade - Direct

16

1 MR. ZAKEN: Yes, sir, it is, I'm sorry.

2 Q So, when it says owner's equity summary, who is the owner  
3 that it's referring to?

4 A SSI Technologies.

5 Q No, no, who --

6 A Oh, I'm sorry.

7 Q -- who put the money --

8 A Okay, oh, I did, yeah.

9 Q -- who put the 6.7 million dollars into the business --

10 A Yes, yes.

11 Q -- is my question.

12 A I did.

13 Q All right. And it says at the top, July 14, \$2,200,000,  
14 is that what you put in to buy the assets back?

15 A That's correct.

16 Q And then there's these two entries here. One for almost  
17 \$900,000 and one for \$400,000. Is that the 1.3 million you  
18 said you put in shortly after purchasing the assets?

19 A It is, yes.

20 Q I want to take you down to this proceeds from loan from  
21 Edmund Bank secured by mortgage on Arizona property?

22 A Right.

23 Q Can you tell me what that is?

24 A That's the mortgage on our home in Scottsdale.

25 Q You'd been asked previously about that, so let me ask you

Goade - Direct

17

1 about that. After you sold your company, Stick Strip, to  
2 DocuSystems, did you have a house built in Arizona?

3 A I did.

4 Q And how did you pay for that?

5 A I paid cash from the proceeds of the eight million  
6 dollars that I received.

7 Q All right. And that, you now have a mortgage on that  
8 house?

9 A I do.

10 Q What did you do, you borrowed from a bank on that house?

11 A Yes.

12 Q And what did you do with the proceeds of the bank loan  
13 that you took?

14 A We invested it back into the company.

15 Q And is that that entry there, that November 2 -- looks  
16 like it's November 5, 2002, is that when you did that?

17 THE COURT: November, well, this says June.

18 THE WITNESS: No, it's June 19, 2002.

19 Q You're right, I'm sorry.

20 A Right.

21 Q I'm looking a different mortgage.

22 A Okay. There are some there unfortunately.

23 Q Okay, well, let's talk about that one then.

24 A Okay.

25 Q The one on the house in Arizona is June 19, 2002?

Goade - Direct

18

1 A That's correct.

2 Q And skipping down to November 5, 2002, there's another  
3 mortgage on a different house. What is that?

4 A That is a home that we had owned, a lake house in  
5 Oklahoma, that we had owned for a long time. It had been in  
6 our family for many years.

7 Q And had you owned that free and clear of debt?

8 A Yes.

9 Q And you mortgaged that?

10 A We did, yes.

11 Q And what did you do with the proceeds of the mortgage?

12 A The money went into the company.

13 Q Do you still have these mortgages on this house in  
14 Arizona and this house in Oklahoma?

15 A We have mortgages on the house in Arizona and two homes  
16 in Oklahoma.

17 Q Do you have any houses that aren't mortgaged?

18 A I don't have anything that's not mortgaged.

19 Q How has the Stick Strip -- I'm sorry, withdrawn -- how  
20 has the SSI Technologies business done since you bought the  
21 assets and started your new company?

22 A It's not done well. I think we finally have turned a  
23 corner just in the last few months. But we've lost a lot of  
24 money.

25 Q Before I get to that, I'm not going to present this to

1 (Court in recess; 12:14 to 1:19 o'clock p.m.)

2 THE COURT: Good afternoon.

3 ALL COUNSEL: Good afternoon, your Honor.

4 THE COURT: Be seated, please. I want to explore  
5 with counsel what issues they think remain or could possibly  
6 remain to be decided by the jury.

7 With respect to the Rule 50 motion, I am not going  
8 to make any final ruling at this time, my theory being that  
9 the jury, having sat here all week, should be allowed to do  
10 something, and I propose to submit to them the following  
11 issues: Whether Mr. Goade made a misrepre -- or caused a  
12 misrepresentation to be made back at the time he was buying  
13 the -- or selling the company, and whether the plaintiffs  
14 reasonably relied on that representation to their detriment.  
15 And I'm going to get a finding as to when that cause of  
16 action arose, in other words, then they first knew or, with  
17 reasonable effort, should have known that they had been  
18 wronged and were likely to suffer damage as a result.

19 And I suppose we should get some kind of a finding  
20 with respect to the successorship issue, although my  
21 inclination is to basically say that if they accept Mr.  
22 Goade's testimony as correct there is no successorship, they  
23 could find successorship only by rejecting his testimony.

24 What are the views of counsel on these or any other  
25 subjects?

1 MR. BOCHETTO: Judge, the dispute on the foreclosure  
2 is whether it was conducted in good faith.

3 THE COURT: Right.

4 MR. BOCHETTO: The foreclosure line of cases --

5 THE COURT: What was the -- what's the evidence of  
6 lack of good faith?

7 MR. BOCHETTO: The evidence of lack of good faith,  
8 Judge, was that there were existing better offers at the  
9 exact same time, that the reason Mr. Goade's offer was  
10 accepted --

11 THE COURT: How would that have helped you, if this  
12 fellow who was in here this morning, Mr. Whitaker of Lucas,  
13 if he had been the purchaser, how would that improve your  
14 chance of recovering?

15 MR. BOCHETTO: Well, insofar as that source is  
16 concerned, I believe that Mr. Whitaker and his company may  
17 then have become the successor as against whom -- again,  
18 because these assets were the subject on this line of cases  
19 starting with the Chrysler case, your Honor, these assets  
20 were the subject of the patent infringement, it was these  
21 assets, these operations which caused the patent  
22 infringement. And the Chrysler line of cases say that when  
23 another company comes along or another individual comes along  
24 and buys all of those assets, as a matter of law, it buys it  
25 subject to the patent infringement ruling.

1 THE COURT: Of course, but that does not bind them  
2 to pay the judgment for royalties that were realized years  
3 earlier by somebody else.

4 MR. BOCHETTO: Well, I believe that the line of  
5 cases does say that they are bound by the judgment, Judge,  
6 and I would --

7 THE COURT: The cases that I have seen that you've  
8 cited so far don't say anything about damages.

9 MR. BOCHETTO: They specifically don't have that  
10 language in there, Judge, but I believe that if you look at  
11 the holdings, particularly the Continental Insurance Company  
12 case, if you look at the holdings --

13 THE COURT: What does it say?

14 MR. BOCHETTO: -- there could be no other  
15 conclusion.

16 THE COURT: Continental Insurance Company, where was  
17 that decided?

18 MR. BOCHETTO: That is a --

19 THE COURT: Superior Court?

20 MR. BOCHETTO: -- Pennsylvania Superior Court  
21 decision, your Honor.

22 THE COURT: All right.

23 MR. BOCHETTO: This is --

24 THE COURT: That wasn't a patent case, was it?

25 MR. BOCHETTO: Well, this is a diversity action,

1 Judge, Pennsylvania law applies.

2 THE COURT: Pennsylvania law would apply with  
3 respect to the effect of a transaction that occurred in  
4 Illinois?

5 MR. BOCHETTO: Yes, sir.

6 THE COURT: The validity of a UCC foreclosure in  
7 Illinois is governed by Pennsylvania law?

8 MR. BOCHETTO: Well, again, I don't think the  
9 validity, your Honor, is what's at issue here. What's at  
10 issue is that we have a Pennsylvania citizen, Vanguard, that  
11 was harmed by a company doing business in Pennsylvania, SSI.  
12 That company, Vanguard, sued here in Pennsylvania, in the  
13 Eastern District of Pennsylvania --

14 THE COURT: I am aware of that.

15 MR. BOCHETTO: -- and is entitled to the protections  
16 of Pennsylvania law.

17 THE COURT: Oh, for heaven's sake.

18 MR. BOCHETTO: And, your Honor, given -- if you  
19 marry the Continental case and the Chrysler case with those  
20 judicial admissions that your Honor now has in front of you,  
21 I believe it is absolutely inescapable --

22 THE COURT: Wow.

23 MR. BOCHETTO: -- that --

24 THE COURT: Then you're going to win on appeal if I  
25 rule otherwise.

1     against --

2             THE COURT:   You're not going to get a directed  
3     verdict, so okay?

4             MR. BOCHETTO:   Well, let me just at least articulate  
5     who it would be against.   It would be against Ron Goade, REG  
6     Acquisition Oklahoma and the Goade Trust, based upon this  
7     successor interest line of cases.

8             THE COURT:   I understand your position.

9             MR. BOCHETTO:   All right.   Secondly, your Honor,  
10    with respect to your proposal that you're going to ask the  
11    jury for a finding as to when they should have likely  
12    known --

13            THE COURT:   Yes, obviously -- it seems to me  
14    reasonably obvious that your fraud claim is barred by the  
15    statute of limitations.

16            MR. BOCHETTO:   Here's why we believe that it's clear  
17    that it is not, your Honor, and the reason is is that the --  
18    that cause of action for fraud did not ripen or mature until  
19    July of 2000, your-Honor --

20            THE COURT:   Oh, that's silly.

21            MR. BOCHETTO:   -- when judgment was entered, because  
22    that -- and it's then and only then, your Honor, when we  
23    would have had any damages.   Up until that point, as your  
24    Honor has repeatedly pointed out, there was no -- there was  
25    no way of knowing if in fact 100-percent we were going to